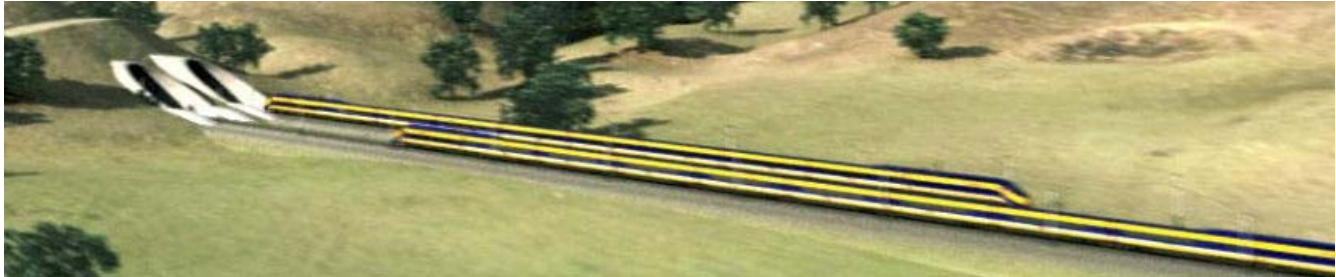




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Questions & Answers

What is Proposition 1A?

Proposition 1A is the Safe, Reliable High-Speed Passenger Train Bond Act approved by voters on November 4, 2008. Voters were asked the following: "To provide Californians a safe, convenient, affordable, and reliable alternative to driving and high gas prices; to provide good-paying jobs and improve California's economy while reducing air pollution, global warming greenhouse gases, and our dependence on foreign oil, shall \$9.95 billion in bonds be issued to establish a clean, efficient high-speed train service linking Southern California, the Sacramento San Joaquin Valley, and the San Francisco Bay Area, with at least 90 percent of bond funds spent for specific projects, with federal and private matching funds required, and all bond funds subject to independent audits?"

Proposition 1A was placed on the ballot by an uncommon bipartisan coalition of more than two thirds of the Legislature as well as strong support by Governor Schwarzenegger. Assembly Bill No. 3034 which enacted Proposition 1A was authored by Assembly Members Galgiani and Ma, with Assembly Members Davis and Parra as "Principal coauthors."

What fiscal safeguards are in Proposition 1A?

Proposition 1A places comprehensive and tough new fiscal controls on the use of the state's bond money for funding the High-Speed Train Project, including:

Requires that in selecting each usable segment for construction, the High-Speed Rail Authority must prepare and submit to the Legislature and the Governor, 90 days before the request for a bond appropriation, a detailed funding plan that identifies the full cost of constructing the segment and the sources of all revenue needed to complete the segment's construction, as well as detailing expected contract terms and conditions, projected ridership and revenue, project risks, usefulness and suitability of the segment and numerous other financial and operational elements.

The funding plan must be submitted at the same time to an expert peer review group, the Department of Finance and the policy and fiscal committees of the Legislature for their independent analysis.

Maximizes the amount of funds available for construction of the high-speed train and prohibits the funding of maintenance or operating costs from bond funds. Proposition 1A requires that at least 90% of the bond funds must be used for capital costs and construction of the high-speed train system and limits to 10% or less the amount of bond funds that that can be used for environmental studies, planning, preliminary

engineering, and right of way acquisition. It also caps administrative expenses at 2.5% and makes those expenses subject to legislative appropriation.

Provides that in selecting each usable segment for construction, the Authority must give priority to those segments requiring the smallest amount of state bond funds as a percentage of the segment's sources of all revenues needed to complete the segment's construction, and limits the use of state bond funds to no more than 50% of the construction cost of any segment or corridor.

Requires the establishment of an independent and qualified peer review committee to review the planning, engineering and financing of the Authority's plans. The peer review group must issue an analysis of the appropriateness and accuracy of the Authority's assumptions, analyze the viability of the financing plan and report its findings to the Legislature within 60 days of receiving the plan.

Proposition 1A also requires that an independent financial consulting firm must review and report on the funding and viability of the plan and the project.

Requires annual audits by the State Auditor of the Authority's use of the bond funds.

Requires the use of industry- standard bond sale and financial control and administration provisions consistent with the operations, policies and requirements of the State Treasurer, Controller, Department of Finance, and other financial agencies.

Requires the High Speed Rail Authority to prepare and submit to the Legislature a revised business plan that identifies and includes details on system patronage, benefits, services, costs, financing, project risks and related strategic elements.

Can Prop 1A funds be diverted away from the high-speed train system?

Proposition 1A (AB 3034) guarantees \$9.95 billion in state bond money to fund the state's share of the first phase of the 800-mile statewide high-speed train system. The proposition establishes rigorous fiscal and legislative controls on the expenditure of state bond funds to ensure that they are directed to construction activities in the most cost effective and efficient way, and ensure that the project will be successfully completed. Further, Proposition 1A does all of the following:

Provides that the \$9 billion in bond proceeds are available and are to be used for expenditure for planning and eligible capital costs on the system's entire 800 mile route while making clear that the first priority for the use of bond funds is to complete the San Francisco to Los Angeles/Anaheim Phase One corridor segment adopted by the Authority.

Makes the Altamont rail corridor connecting the Central Valley to the East Bay, and all the other high-speed train corridors throughout the state, immediately eligible for the state's high-speed train bond money and federal and other revenues made available to the Authority.

Adding the Altamont corridor supports the Authority's certified Bay Area to Central Valley Environmental Impact Report (EIR) that selected the Pacheco Pass alternative as the preferred route for the system's Central Valley to Bay Area segment while simultaneously supporting the development of complementary high-speed train service improvements to the existing Altamont corridor. The Altamont and other high-speed train corridors can compete for and use the bond and other available funding with this change as long as there is no adverse impact to the SF to Anaheim priority segment.

Places comprehensive and tough new fiscal controls on the use of the state's bond money for funding its share of the High-Speed Train Project (for more details please see the response to "What Fiscal Safeguards are in Proposition 1A?" above).

Prohibits a high-speed train station between Gilroy and Merced. The prohibition puts into state law the Authority's adopted policies and the list of proposed stations included in the approved EIR/EIS. It addresses any concern that a future growth-inducing station in the Los Banos area

could be developed by forbidding such a station at that location.

Promotes a statewide and integrated passenger train and transit system. Proposition 1A requires that complementary rail capital improvements funded from the \$950 million local portion of bond funds to be allocated to intercity, commuter and urban rail systems must provide direct connectivity and benefits to the high-speed train system and its facilities or be part of the construction of the system.

Defines and describes the state's high-speed train corridors and establishes the maximum nonstop service travel times for each corridor, while requiring that the train system be capable of sustained maximum speeds of at least 200 miles per hour.

Explains the need for the high-speed train system because of the continued growth in the state's population and the resulting increases in traffic congestion, air pollution, greenhouse gas emissions and urban sprawl. The proposition highlights that the high-speed train system is significantly less costly than highway and airport expansions and will provide greater mobility and future capacity, contribute significantly to reducing air pollution and global warming and will help California reduce its dependence on foreign energy sources.

Who supports California's high-speed train system?

Governor Schwarzenegger is a leading advocate for high-speed trains. He stated recently: "We need high-speed rail. Our rail system in America is so old we're driving the same speed as we did 100 years ago. The same system as a hundred years ago. If we want that mass transportation system we should modernize. We should do what other countries do. All over the world we see high-speed rail- they go 200 to 300 miles-an-hour. We should do the same thing in this country, especially in this state. We should start here, show leadership and show the rest of the country how to do it. (Commonwealth Club, September 26, 2008). Many of California's cities, local and regional governments, transportation agencies, environmental organizations, business leaders, and labor leaders agree that California's High-Speed Train Project is critical for moving California forward. Below is a partial list of those agencies and organizations that support California's High-Speed Train Project.*

Cities and Counties

California State Association of Counties (CSAC)

City of Anaheim

City of Bakersfield

City of Escondido

City of Fresno

City of Fullerton

City of Gilroy

City of Irvine

City of Los Angeles

City of Merced

City of Milpitas

City of Morgan Hill

City of Oakland

City of Orange

City of Palmdale

City of Sacramento

City of San Diego

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City of San Jose

City of Santa Clara

City of Sunnyvale

City of Visalia

Fresno County

Fresno County Council of Governments

Kern Council of Governments

Kern County

League of California Cities

Los Angeles County Board of Supervisors

Merced County

Merced County Association of Governments

Sacramento Area Council of Governments

San Bernardino Association of Governments

San Francisco Board of Supervisors

San Mateo County

Santa Clara County

Town of Los Altos Hills

Federal/State/Regional/Local Agencies

Amtrak

Bay Area Air Quality Management District

Bay Area Rapid Transit District (BART)

CalTrain/Peninsula Joint Powers Board

Capitol Corridor Joint Powers Authority

Los Angeles-San Diego Rail Corridor Agency (LOSSAN)

Metropolitan Transportation Authority (MTA)

Metropolitan Transportation Commission (MTC)

North County Transit District

Orange County Transportation Authority (OCTA)

Sacramento Metropolitan Air Quality Management District

San Diego Association of Governments (SANDAG)

Santa Clara Valley Transportation Authority

Transbay Joint Powers Authority

U.C. Merced

Business and Organizations

Antelope Valley Chamber of Commerce

Association for California High-Speed Trains

Brotherhood of Locomotive Engineers and Trainmen

CalPirg

California Conference of Carpenters
 Downtown Visalians and Alliance
 Greater Fresno Area Chamber of Commerce
 League of Women Voters
 Los Angeles Chamber of Commerce
 Menlo Park Chamber of Commerce
 Merced Community College District
 Merced County High-Speed Rail Committee
 Mission Oaks Company
 National Association of Railroad Passengers (NARP)
 Operating Engineers Local Union 3
 Pacific Friends Outreach Society
 Palo Alto City Council
 Rail Passenger Association of California (RailPAC)
 Redwood City/San Mateo Chamber of Commerce
 Sacramento Metropolitan Chamber of Commerce
 San Francisco Chamber of Commerce
 San Francisco Planning and Urban Research Association (SPUR)
 Sierra Club
 Silicon Valley High-Speed Rail Coalition
 State Building Trades Council
 Silicon Valley Leadership Group
 Train Riders' Association of California (TRAC)
 Transportation and Land Use Coalition (TALC)
 Tulare Kings Hispanic Chamber of Commerce
 United Transportation Workers, Local 1721
 Visalia Chamber of Commerce
 Winslow Properties
 Yosemite Valley Railroad Company

High-speed trains are also strongly supported by many of California's elected leaders in the federal government. Congressman Jim Costa (20th District) is taking a leadership role in securing federal support for the California High-Speed Train Project. In June 2007, a bipartisan letter was sent to Governor Schwarzenegger signed by two thirds of the California Congressional delegation urging the Governor to support the statewide high-speed train proposal and pledging to work with the Governor at the federal level for financial support of the project. Senators Diane Feinstein and Barbara Boxer are strong supporters of high-speed trains for California as is the Speaker of the House, Congresswoman Nancy Pelosi * *As noted in the certified California High-Speed Rail Authority Program-Level Environmental Impact Report/Environmental Impact Statement or the official position of the entity.*

Will any Proposition 1A funds be used to improve current commuter, urban and intercity rail systems?

Yes. Proposition 1A provides for the allocation of \$950 million of the total \$9.95 billion in bond funds to eligible recipients for capital improvements to intercity rail (\$190,000,000) and commuter rail and urban rail systems (\$760,000,000). Eligible

recipients are public agencies and joint powers authorities that operate commuter, light or heavy rail or cable car passenger services. The bond funds are to be used for capital improvements that provide direct connectivity to the high-speed train system, are part of the construction of the system, or that provide capacity enhancements, modernization, rehabilitation or safety improvements. Funds will be available upon appropriation by the Legislature in the annual Budget Act.

Intercity Rail - \$190 M

Funds will be allocated for state-supported intercity rail lines by the California Transportation Commission (CTC) according to guidelines that the CTC will develop in consultation with the High Speed Rail Authority. Each of the state's three intercity rail corridors (Capitol Corridor, San Joaquin Corridor, and Los Angeles-San Diego Corridor) will be allocated a minimum of 25% (\$47.5 million) of the \$190 million available.

Commuter and Urban Rail - \$760 M

Funds will be allocated to eligible passenger rail agencies according to guidelines developed by the CTC, consistent with a statutory formula. Each recipient's allocation will be a percentage amount based on the recipient's share of three factors: 1) 1/3 based on the share of statewide total track miles, 2) 1/3 based on the share of statewide annual vehicle miles, and 3) 1/3 based on the share of statewide annual passenger trips. Recipients must provide a dollar-for-dollar local match and must maintain their previous annual average local expenditures for maintenance or rehabilitation of the passenger rail system so that the new funds supplement and do not replace existing funds for these purposes.

Timeline and Distribution

The funds will be available upon a Budget Act appropriation(s), so the first allocations could be made in mid-2009 following enactment of the 2009-10 Budget Act and the CTC's development and approval of the required distribution and administrative guidelines.